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C O N F I D E N T I A L SECTION 01 OF 03 BAGHDAD 001540

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SUBJECT: THIRD MEETING OF ECONOMIC AND ENERGY JOINT
COORDINATION COMMITTEE

REF: A. BAGHDAD 399
[1](#)B. BAGHDAD 953

Classified By: Econ Minister Counselor Marc M. Wall, Reasons 1.4 b, d.

Summary

[1](#)1. (C) The third meeting of the Economic and Energy Joint Coordination Committee (JCC) met under the Strategic Framework Agreement on June 10, chaired by Deputy Prime Minister (DPM) Barham Salih and EMIN Marc Wall, Coordinator for Economic Transition in Iraq, at which working group chairs provided updates on their progress and next steps. DPM Salih also told EMIN that an energy oversight committee would be formed for petroleum sector development (see paragraph 9). DPM Salih requested the next JCC meeting for August. This cable contains market sensitive information, please protect. End summary.

Third Meeting of Economics and Energy JCC

[1](#)2. (SBU) The third meeting of the Economic and Energy Joint Coordination Committee (JCC) under the Strategic Framework Agreement (SFA) was chaired by Deputy Prime Minister (DPM) Barham Salih and Coordinator for Economic Transition in Iraq (CETI) Ambassador Marc Wall On June 10. Both sides acknowledged the tragic loss of Terrence Barnich, co-chair of the New Electricity Projects Working Group, who died in a bomb attack on May 25. Maged Hussein, co-chair of the Environment Working Group under the Technology and Services JCC was killed in the same attack.

[1](#)3. (SBU) In his opening remarks, DPM Salih applauded the expansion of the Fulbright program for Iraq. The SFA will gain more and more focus as the framework for bilateral cooperation, exchange and initiatives. The SFA is &important to the stability of Iraq, for the people of Iraq.8 In expressing condolences for the loss of Terrence Barnich he said, &The least we can do is double our efforts and stay the course.8 Ambassador Wall thanked the DPM for his leadership of the JCC, noting that it is a strategic gain for both of our countries.

Updates on the Working Groups:
Trade and Investment

[1](#)4. (SBU) Working Group co-chairs gave updates on their respective activities. Dr. Samy Al Araj, Chairman of the National Investment Commission, gave the update for the Trade and Investment Working Group noting three primary short-term goals: an investment conference in the U.S. in October; a business delegation visit to Iraq (timeframe TBD); and investment strategy group of think tank members, sectoral and

regional experts to discuss Iraq,s long-term investment strategy. In addition, Dr. Samy noted that Provincial Investment Commission training was moving forward with assistance from the Embassy,s Economic Section, USAID and the Department of Defense (DoD) Task Force for Business Stability Operations (TFBSO - Brinkley Group). USAID,s &Tijara8 program will also support Iraq,s participation in its third World Trade Organization (WTO) Working Party meeting in 2009. Dr. Samy also noted that the Ministry of Trade and the National Investment Commission are forming a legal group to consider the &New York Convention on the Recognition and Enforcement of Arbitral Awards8 as a way to improve the investment climate for international investors. Dr. Samy also urged the U.S. to find a way to expedite visas for Iraqi business travelers. DPM Salih said that holding an investment conference in the fall may be tough with Iraq,s election season in full swing, but agreed it was a priority. Qelection season in full swing, but agreed it was a priority.

Public Financial Management and
Financial Issues Working Group

¶5. (SBU) The Finance Working Group noted progress in several areas including a budget strategy workshop in Jordan in May, which brought together several Government of Iraq (GoI) participants. The Central Bank of Iraq (CBI) also outlined a strategic plan in a workshop with Treasury, the Financial Services Volunteer Corps, and TFBSO. Rafidain and Rasheed Bank, with assistance from the Department of Treasury, issued approximately 362,000 Smart Cards for direct deposit of salaries and pensions. TFBSO assisted AMWAL (a consortium of Iraq banks creating a network for electronic banking) in

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receiving a Mastercard affiliate license, rolling out MasterCard debit and credit cards, and deploying point of sale devices and Automatic Teller Machines (ATMs). (Note: AMWAL is a limited liability company registered with the Iraqi Ministry of Trade and supported by CBI. End Note.) With assistance from the Department of State, the Iraqi Stock Exchange launched its automated trading platform in April. The Central Bank,s Money Laundering Reporting Office (MLRO) attended the Ninth Plenary Meeting of the Middle East North Africa Financial Action Task Force (MENA/FATF) in Bahrain in May, learning ideas to improve its anti-money laundering regime. Next steps and deliverables include a database development project at CBI, a budget training for provincial officials, technical assistance for a Treasury Bill market, tax assistance and a Financial Sector Assessment Team (FSAT) to review Iraq,s anti-money laundering regime with possible ideas for training as a follow-up.

Industry and Private
Sector Development

¶6. (SBU) Munqueth AlBaker, Advisor to the Minister of Industry and Minerals, briefed on the Industry and Private Sector Development Working Group. Small-and-Medium Enterprise (SME) growth is important to private sector growth, including improving enabling laws and regulations, and revitalizing industrial parks to act as SME incubators. Private sector lending and improved access to commercial finance through development of new micro-finance mechanisms is also important. The Directorate for Industrial Development within the Ministry of Industry and Minerals could be transformed into an Iraq Industrial Development Corporation, to include representation from the private sector. USAID and TFBSO are assisting with a revised Investor Roadmap, a review of Iraq,s industrial competitiveness, and state-owned enterprises (SOE) modernization and rehabilitation including a review of excess employment. USAID noted that the scope of this working group had been re-defined under the new Iraqi co-chair.

Electricity Sector

¶7. (C) Market Sensitive. The New Electricity Projects Working Group reviewed current issues, though its work has not fully resumed following the loss of U.S. co-chair Terrence Barnich. David Ensign from ITAO noted that there is ongoing cooperation in training for grid management including simulator training. Deputy Minister for Electricity Salam Khazaz was questioned by DPM Salih about the delayed payments to U.S. company General Electric (GE). Khazaz responded that it was out of his hands, and that the decision currently rested with the Council of Representatives for a special bond issuance to pay for the turbines. DPM Salih expressed impatience noting, &We should not have made a commitment to GE without budget authorization. Now we are in a difficult bind.8

Oil and Gas Working Group

¶8. (SBU) The Oil and Gas Working Group Iraq Co-Chair Thamir Ghadban was out of the country so the U.S. side briefed. The group continues to make progress and has its next meeting set for June 22. The Commerce Department,s Commercial Law Development Program held the first two of four planned workshops on contracts and licensing, and the economics of oil field development. The U.S. Department of Interior,s Minerals Management Service conducted a four-day course in QMinerals Management Service conducted a four-day course in Erbil for Ministry of Oil (MoO) staff on international regulation, lease and tender administration, and dispute mitigation. The Embassy continues to provide technical assistance for the petroleum sector, and in response to DPM Salih,s request, petroleum expert Daniel Johnston will meet with relevant GOI officials in late June.

Another Oil and Gas Initiative

¶9. (C) In a pull-aside after the meeting, DPM Salih expanded on his mention earlier in the meeting that he had discussed the GOI approach to petroleum sector development with the PM and Vice President Adil Abd al-Mahdi before the JCC. Salih said they had decided to form an "energy oversight" committee with membership to include the PM, VP al-Mahdi, PPM Advisor (and ex-Oil Minister) Thamir Ghadban, Oil Minister Shahrastani, and another former oil minister, Bahr al-Uloom.

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The committee would develop a shortlist of six international oil companies to bid on specific fields. The companies would likely comprise two U.S. and one company each from the UK, France, Russia, and Japan. Salih said that, despite the decision to make this offer directly to a limited number of companies, the Ministry of Oil bid round process would continue. He reiterated that he would continue on as DPM, but that Finance Minister Jabr would be taking a more visible role on oil and gas issues. (Note: DPM Salih also informed us that he has offered his resignation, but told EMIN that his resignation has not been formally accepted, so he continues to perform his DPM role, in between frequent election campaign trips to the KRG. End Note.)

Comment

¶10. (SBU) It appears DPM Salih, despite offering his resignation, will continue to chair this JCC for the near term, and suggested the next JCC meeting be held in August. Since there is no replacement named for him, we will continue to work closely with him and his staff to maintain momentum. Salih agreed that the SFA should be emphasized in Prime Minister Maliki,s visit to the U.S. perhaps in July. His remarks in the meetings, along with his plans to stay involved, underline his commitment to making the SFA serve as

the governing framework for non-security bilateral
cooperation.
HILL